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Brazil

Coffee Annual

2012

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Report Highlights:
This report updates BR110025. The ATO/Sao Paulo projects coffee production in Brazil for marketing year (MY) 2012/13 (July-June) at 55.9 million 60-kg bags, up 6.7 million bags compared to the previous MY as a consequence of the on-year of the biennial production cycle of the Arabica trees and good production potential for Robusta trees, especially in Espirito Santo. Coffee exports are forecast at 34 million bags, a 12 percent increase compared to MY 2011/12, due to likely higher availability of the product. Carry-over stocks are forecast at 2.93 million bags.

Production:

The Agricultural Trade Office Sao Paulo (ATO) forecasts the Brazilian coffee production for marketing year (MY) 2012/2013 (July-June) at 55.9 million bags (60 kilograms per bag), green equivalent, a 13 percent increase compared to MY 2011/12 (49.2 million bags).

Post conducted field trips to major coffee producing areas to evaluate the 2012 crop. Trips were made during the February-April 2012 period to the states of Minas Gerais, Espirito Santo and Sao Paulo to observe vegetative development, cherry set and fruit formation. Information for other producing states was obtained from government sources, state secretariats of agriculture, producer associations, cooperatives and traders.

Arabica trees are expected to produce 40.2 million bags, up 16 percent compared to the last crop due to the biennial production cycle of arabica trees, which are in the on-year of the production cycle for most regions. Robusta production is expected to increase to 15.7 million bags, up 1.2 million bags relative to MY 2011/12, due to the good production potential in Espirito Santo. Robusta producing regions began harvest in April/May, whereas Arabica coffee harvest should begin in May/June.

The table below shows forecast production by state and variety for MY 2012/13, as well as production estimates from MY 2008/09 to MY 2011/12.

Brazilian Coffee Production (Million 60-kg bags)					
State/Variety	**MY 08/09**	**MY 09/10**	**MY 10/11**	**MY 11/12**	**MY 12/13**
Minas Gerais	26.90	22.10	28.50	23.50	28.30
Southwest	14.90	12.10	16.00	11.50	15.20
Central-western	5.10	4.20	5.50	4.50	5.90
Southeast	6.90	5.80	7.00	7.50	7.20
Espirito Santo	12.10	10.60	11.50	13.50	15.00
Arabica	2.90	2.40	3.10	2.70	2.80
Robusta	9.20	8.20	8.40	10.80	12.20
Sao Paulo	4.90	4.20	5.00	4.10	4.80
Parana	2.70	1.90	2.40	1.90	1.80
Others	6.70	6.00	7.10	6.20	6.00
Arabica	3.10	2.40	2.80	2.50	2.50
Robusta	3.60	3.60	4.30	3.70	3.50
Total	53.30	44.80	54.50	49.20	55.90
Arabica	40.50	33.00	41.80	34.70	40.20
Robusta	12.80	11.80	12.70	14.50	15.70
Source: ATO/Sao Paulo.					

In January 2012, the Brazilian government (GoB), through the Ministry of Agriculture, Livestock and Supply's (MAPA) National Supply Company (CONAB), released its first survey projecting Brazilian coffee production.

For MY 2012/13, between 48.97 and 52.27 million 60-kg bags are forecast, a 5.48 to 8.78 million bag reduction compared to the final estimate for MY 2012/13 (43.48 million bags – 32.18 and 11.30 million bags of Arabica and Robusta coffee, respectively).

CONAB projects arabica production between 36.41 and 39.02 million bags, whereas the robusta crop is estimated between 12.56 and 13.25 million bags. CONAB is expected to release the second coffee survey for the 2011 crop in mid-May.

The Brazilian Institute of Geography and Statistics (IBGE) has also released its March 2012 coffee production forecast for MY 2011/12. The IBGE forecast for the 2012 coffee crop is 3.004 million metric tons of coffee, or 50.1 million 60-kg coffee bags, a 13 percent increase compared to 2011 (2.658 million tons or 44.3 million bags).

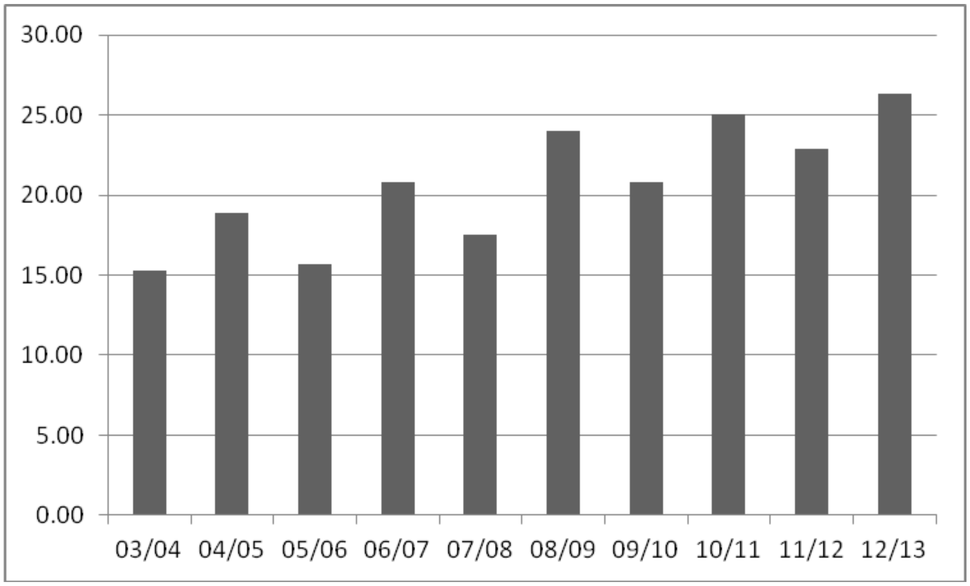
Coffee Area Tree Inventory

The table below shows Brazilian coffee area and tree population from MY 2008/09 through MY 2012/13.

Brazilian Coffee Area andTree Population (billion trees, million hectares, thousand trees/hectare)					
	MY 08/09	**MY 09/10**	**MY 10/11**	**MY 11/12**	**MY 12/13**
Total Trees	6,567	6,598	6,635	6,595	6,815
Non-Bearing	677	873	815	835	950
Bearing	5,890	5,725	5,820	5,760	5,865
Total Area	2,424	2,395	2,409	2,410	2,398
Non-Bearing	201	244	234	260	268
Harvested	2,223	2,151	2,175	2,150	2,130
Trees/ha	2,710	2,755	2,754	2,737	2,842
Non-Bearing	3,368	3,578	3,483	3,212	3,545
Bearing	2,650	2,662	2,676	2,679	2,754
Source; ATO/Sao Paulo					

Yields

Brazilian coffee yield for MY 2012/13 is projected at 26.34 bags/hectare, a 14.7 percent increase compared to last crop (22.88 bags/ha.), mainly due to the on-year of the biennial production cycle of arabica trees and good production potential for robusta trees, especially in Espirito Santo. The chart below shows historical agricultural yields.



Coffee Prices in the Domestic Market

The Coffee Index price series released by the University of Sao Paulo's Luiz de Queiroz College of Agriculture (ESALQ) follows. The series tracks coffee prices in the domestic spot market, from September 1996. Coffee prices increased in 2011 both in the local currency, the real, as well as in U.S. dollars (US$ 297.52/bag in 2011 compared to US$ 177.58/bag in 2010), due to lower supply.

Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag)					
Month	**2008**	**2009**	**2010**	**2011**	**2012**
January	267.84	268.41	280.75	433.34	485.04
February	285.19	269.34	278.68	495.98	441.31
March	263.28	262.48	279.70	524.27	387.53
April	256.35	260.10	282.18	524.41	379.53
May 1/	254.84	268.02	289.46	530.76	374.43
June	255.76	256.64	305.98	514.99	
July	250.51	247.50	302.36	457.81	
August	248.86	255.34	313.93	470.62	
September	261.58	254.29	328.23	511.57	
October	256.84	262.20	327.15	490.45	
November	261.28	272.55	355.51	493.83	
December	262.04	281.57	387.01	491.35	
Source: CEPEA/ESALQ/USP. 1/ May 2012 price refers to May 3.					

Consumption:

In MY 2012/13, Brazilian coffee domestic consumption is projected at 20.76 million coffee bags (19.58 million bags of roast/ground and 1.18 million bags of soluble coffee, respectively), up 3.5 percent relative to the previous season, reflecting results from the newest domestic consumption survey released by the Brazilian Coffee Industry Association (ABIC).

Brazilian consumption for MY 2011/12 has been revised to 20.06 million 60-kg bags, green equivalent, up 3.3 percent compared to MY 2009/10 (19.42 million bags). Roast and ground coffee consumption accounted for 18.92 million bags, whereas soluble consumption is estimated at 1.14 million bags. Estimates are based on periodic surveys conducted by ABIC and reflect population growth, increased per capita consumption, increased purchasing power, increased quality of the domestic brands, strong growth of superior and gourmet coffee and the effects of domestic campaigns to promote coffee consumption.

ABIC reports that the coffee industry processed 19.72 million bags, green equivalent, from November 2010 to October 2011, a 3 percent increase compared to the same period in the previous year (19.13 million bags). Per capita consumption for 2011 is estimated at 4.88 kg of roasted coffee per person. The average retail coffee price in December 2011 was R$ 13.26 per kilogram, up 19 percent compared to December 2010 (R$ 11.12 per kilogram), due to the tight supply of the product, with a market value of R$ 7 billion in 2011.

ABIC projects total domestic consumption for 2012 at 20.41 million bags, up 3.5 percent compared to 2011. Total market sales are projected at R$ 7.7 billion for 2012.

The table below shows domestic ground and soluble coffee consumption as reported by ABIC.

Domestic Ground and Soluble Coffee Consumption (Million 60 kg bags, Kg/year).

Year	**Consumption (Million 60 kg bags)**			**Consumption per capita (kg)**	
	Roast/Ground	**Soluble**	**Total**	**Roast**	**Green Beans**
2001	13.00	0.60	13.60	3.91	4.88
2002	13.30	0.74	14.04	3.86	4.83
2003	12.90	0.80	13.70	3.72	4.65
2004	14.10	0.80	14.90	4.01	5.01
2005	14.60	0.90	15.50	4.11	5.14
2006	15.40	0.93	16.33	4.27	5.34
2007	16.10	1.00	17.10	4.42	5.53
2008	16.68	0.98	17.66	4.51	5.64
2009	17.37	1.02	18.39	4.65	5.81
2010	18.06	1.07	19.13	4.81	6.02
2011	18.60	1.12	19.72	4.88	6.10

Source: Brazilian Coffee Industry Association (ABIC). 1/ Projection

Note: Estimates refer to November-October period.

Trade:

Exports

During MY 2012/13, total Brazilian coffee exports are forecast at 34 million bags, a 12 percent increase compared to the previous crop, due to expected higher product availability. Green bean exports are likely to account for 30.63 million bags, while soluble coffee exports are forecast at 3.3 million bags. Brazilian Arabica coffee remains competitive in international markets in spite of higher production costs. The devaluation of the real against the dollar as of September 2011 has also supported the competiveness of the product.

Coffee exports for MY 2011/12 were revised upward to 30.3 million 60-kg bags, green beans, an increase of 1.3 million bags from the previous estimate, based on year-to-date export volumes and anticipated April-June loadings. Green bean (arabica and robusta) exports are estimated at 27.25 million bags, whereas soluble coffee exports are estimated at 3 million bags. Lower supplies from other producing countries have increased the demand for Brazilian product, especially washed coffee. Brazil represents approximately one-third of total world exports.

According to the March 2012 Coffee Market Report International released by the International Coffee Organization (ICO), total world coffee consumption for 2010 is estimated at 135.8 million bags, up 3.95 million bags relative to 2009.

The table below shows green coffee bean (NCM 0901.11.10), soluble coffee (NCM 2101.11.10) and roasted coffee exports (NCM 0901.21.00) by country of destination, according to SECEX, for CY 2011, MY 2010/11 and 2011/12 (July-March).

Brazilian Green Coffee Exports by Country of Destination (NCM 0901.11.10, MT, US$ 000 FOB)						
	CY 2011 1/		**MY 2010/11 2/**		**MY 2011/12 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
USA	397,587	1,795,660	307,147	1,053,497	286,163	1,338,368
Germany	361,672	1,663,648	317,791	1,089,512	257,114	1,226,547
Italy	157,728	761,523	140,430	504,303	117,641	580,300
Japan	135,965	669,584	99,380	354,883	102,400	527,241
Belgium	133,113	610,989	106,036	386,346	89,813	445,760
Spain	51,111	228,537	42,629	142,659	32,542	153,824
France	37,589	160,465	32,131	104,247	25,754	111,645
Sweden	34,645	157,816	28,725	93,886	25,930	124,099
Netherlands	32,120	127,490	21,757	74,162	16,505	74,917
Slovenia	29,835	96,667	37,819	93,893	24,847	86,328
Others	419,769	1,727,577	341,487	1,076,192	298,523	1,293,953
Total	1,791,132	7,999,955	1,475,332	4,973,580	1,277,232	5,962,981
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may not add due to rounding 1/ Jan- Dec , 2/ July - March						

Brazilian Roasted Coffee Exports by Country of Destination (NCM 0901.21.00, MT, US$ 000 FOB)						
	CY 2011 1/		**MY 2010/11 2/**		**MY 2011/12 2/**	
Country	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
USA	1,556	13,659	1,206	7,568	1,078	10,435
Italy	910	4,805	751	3,266	644	3,426
Bolivia	178	835	132	573	127	603

Japan	233	1,475	164	891	126	834
Chile	139	1,150	127	818	104	909
Argentina	146	1,299	125	940	93	853
Paraguay	102	544	69	309	90	526
Uruguay	86	397	59	234	46	250
France	36	359	29	194	36	347
Georgia	17	85	8	35	22	115
Others	170	1,199	167	1,335	108	972
Total	3,573	25,807	2,838	16,163	2,473	19,270
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may not add due to rounding 1/ Jan- Dec , 2/ July - March						

Brazilian Soluble Coffee Exports by Country of Destination (NCM 2101.11.10, MT, US$ 000 FOB)						
	CY 2011 1/		MY 2010/11 2/		MY 2011/12 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
USA	14,001	98,420	10,288	54,648	10,711	82,523
Russia	8,209	74,789	6,836	55,142	5,990	56,978
Ukraine	5,681	51,282	3,737	29,335	4,339	40,873
Japan	4,716	39,527	2,958	21,016	3,741	34,107
Argetina	6,106	36,392	4,019	20,775	3,647	23,594
Germany	2,814	23,409	2,299	17,252	2,685	23,071
Indonesia	3,360	24,505	1,587	10,392	2,438	19,513
South Korea	2,347	27,316	1,212	12,104	1,706	22,099
Hungary	1,620	11,208	1,629	9,679	1,620	12,033
United Kingdom	1,696	14,461	1,548	10,774	1,584	13,898
Others	29,526	273,170	22,051	176,288	20,989	202,406
Total	80,076	674,477	58,166	417,405	59,449	531,094
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may not add due to rounding 1/ Jan- Dec , 2/ July - March						

The tables below include data on monthly coffee exports (quantity and value) for MY 2011/12 (July-March), as reported by Brazilian Green Coffee Association (CECAFE) and the Brazilian Soluble Coffee Association (ABICS). Total coffee exports during the July 2011 - March 2012 period were 23.69 million bags, down 3.2 million bags compared to the same period during MY 2009/10 (26.89 million bags). Preliminary data show that coffee export registrations for April 2012 were 2.02 million bags while cumulative green coffee export shipments for April 2012 are 1.83 million bags through May 3.

Brazilian Monthly Coffee Exports for MY 2011/12						
(Thousand 60-kg bag, green equivalent).						
Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
Jul-11	265.74	1,531.88	4.75	1,802.37	260.22	2,062.60
Aug-11	322.28	2,318.38	5.04	2,645.70	275.12	2,920.82
Sep-11	224.81	2,398.76	4.89	2,628.45	307.83	2,936.29

Oct-11	236.16	2,692.80	6.09	2,935.05	240.90	3,175.94
Nov-11	147.58	2,603.86	4.03	2,755.47	286.07	3,041.54
Dec-11	76.01	2,535.74	6.11	2,617.86	392.73	3,010.59
Jan-12	37.10	1,897.09	3.23	1,937.42	199.32	2,136.74
Feb-12	53.06	1,924.48	4.11	1,981.65	233.50	2,215.15
Mar-12	79.14	1,864.73	4.19	1,948.06	241.46	2,189.51
Cumulative	1,441.87	19,767.71	42.45	21,252.03	2,437.14	23,689.17
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2011/12						
(US$ 1,000,000).						
Month	**Conillon**	**Arabica**	**Roasted**	**Total Green**	**Soluble**	**Total**
Jul-11	38.43	444.79	1.95	485.16	53.79	538.96
Aug-11	45.43	687.81	2.29	735.53	56.96	792.48
Sep-11	32.05	730.59	1.98	764.62	63.56	828.18
Oct-11	32.50	811.17	2.52	846.19	51.46	897.65
Nov-11	19.66	765.83	1.42	786.91	60.29	847.20
Dec-11	9.67	731.11	2.63	743.42	82.82	826.24
Jan-12	4.66	536.48	1.11	542.24	40.65	582.89
Feb-12	7.62	521.50	1.50	530.62	47.46	578.08
Mar-12	12.27	484.52	1.93	498.72	51.16	549.88
Cumulative	202.28	5,713.81	17.32	5,933.40	508.16	6,441.56
Source: CECAFE and ABICS.						

Stocks:

Total ending stocks in MY 2012/13 are forecast at 2.93 million bags, up 1.14 million bags relatively to MY 2011/12. Coffee stocks held by MAPA/DECAF (Funcafe stocks) are estimated at approximately 170,000 bags, whereas CONAB coffee stocks on March 31 are reported at 1.61 million bags.

CONAB's 2012 privately-owned stocks survey has not been released yet. The survey includes coffee stocks held by growers, coffee cooperatives, exporters, roasters and the soluble industry on March 31st.

Policy:

In April 2012, the National Monetary Council (CMN) approved a credit line from the Coffee Defense Fund (Funcafe) to finance the 2012/13 coffee crop as follows: R$ 500 million for crop management, R$ 900 million for storage, R$ 250 million for the Coffee Acquisition Financing (FAC) program, R$ 50 million for option contracts and future market operations; and R$ 225 million to finance cash flow for the soluble coffee industry and roasters.

Production, Supply and Demand Data Statistics:

Coffee, Green Brazil	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2,409	2,409	2,410	2,410		2,398
Area Harvested	2,175	2,175	2,150	2,150		2,130
Bearing Trees	5,820	5,820	5,760	5,760		5,865
Non-Bearing Trees	815	815	835	835		950
Total Tree Population	6,635	6,635	6,595	6,595		6,815
Beginning Stocks	2,836	2,836	2,946	2,946		1,786
Arabica Production	41,800	41,800	34,700	34,700		40,200
Robusta Production	12,700	12,700	14,500	14,500		15,700
Other Production	0	0	0	0		0
Total Production	54,500	54,500	49,200	49,200		55,900
Bean Imports	0	0	0	0		0
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	57,336	57,336	52,146	52,146		57,686
Bean Exports	31,810	31,810	25,930	27,250		30,630
Rst-Grnd Exp.	60	60	70	50		70
Soluble Exports	3,140	3,140	3,000	3,000		3,300
Total Exports	35,010	35,010	29,000	30,300		34,000
Rst,Ground Dom. Consum	18,300	18,300	18,680	18,920		19,580
Soluble Dom. Cons.	1,080	1,080	1,080	1,140		1,180
Domestic Use	19,380	19,380	19,760	20,060		20,760
Ending Stocks	2,946	2,946	3,386	1,786		2,926
Total Distribution	57,336	57,336	52,146	52,146		57,686
1000 HA, MILLION TREES, 1000 60 KG BAGS						

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
January	2.22	2.12	1.76	2.32	1.87	1.67	1.74

February	2.14	2.12	1.68	2.38	1.81	1.66	1.71
March	2.17	2.05	1.75	2.25	1.78	1.62	1.82
April	2.09	2.03	1.69	2.18	1.77	1.57	1.89
May 1/	2.30	1.93	1.63	1.97	1.81	1.57	1.93
June	2.16	1.93	1.64	1.95	1.80	1.56	--
July	2.18	1.88	1.57	1.87	1.75	1.56	--
August	2.14	1.96	1.63	1.88	1.75	1.59	--
September	2.17	1.84	1.92	1.78	1.69	1.85	--
October	2.14	1.74	2.12	1.74	1.70	1.69	--
November	2.17	1.78	2.33	1.75	1.71	1.85	--
December	2.14	1.77	2.34	1.74	1.66	1.88	--
Source : Gazeta Mercantil and BACEN (as of October 2006) 1/ May 2012 refers to May 3.							